

Business and Personal Finance © 2012

Chapter 21: Planning Your Tax Strategy

Check Your Answers: Section Assessment

Section 2

Review Key Concepts

1. There are two short forms, the 1040EZ and 1040A, as well as a long form known as Form 1040.
2. You should collect the correct tax forms and instruction booklets, copies of previous tax returns, your W-2 form(s), and any interest or dividend forms.
3. When choosing tax software, think about your personal situation, any special tax situations, the software features, and technical aspects of the program.

Higher Order Thinking

4. Responses will vary but may include that hiring a professional is preferred if you plan to itemize deductions but do not feel confident about what expenses are allowed as deductions.

21st Century Skills

5. Access and Evaluate Information Responses will vary. For example, in 2009 there were new tax incentives for home and auto buyers, people making their homes more energy efficient, people paying for college, and people receiving unemployment. There was also an expanded IRA deduction, an increased standard deduction for many taxpayers, a change in mileage rates, and a kiddie tax change. The standard deduction change could affect a student filing a return for a summer job.

Mathematics

6. Deductions Total itemized deduction = $\$3,750 + \$575 = \$4,325$; Standard deduction = $\$7,950$; Use the standard deduction; Adjusted gross income = $\$25,000 - \$7,950 = \$17,050$.